

Date Mailed
May 14, 1998

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Administration of the Mechanisms of Price
Regulation Pertaining to GTE North Incorporated
on the Third Anniversary Date, April 30, 1998

2180-TI-123

**NOTICE OF INVESTIGATION, OPPORTUNITY FOR HEARING, AND
ASSESSMENT OF COSTS**

Requests for Hearing:
May 27, 1998-Noon

Requests by Fax Due:
May 26, 1998-Noon

Address Requests for Hearing To:

Edward Marion
Acting Chief Hearing Examiner
Public Service Commission
P.O. Box 7854
Madison, WI 53707-7854
Fax No. (608) 266-3957

GTE North Incorporated (GTE) elected price regulation effective January 1, 1995. According to § PSC 163.04(1), Wis. Adm. Code, on its first anniversary date and subsequent anniversary dates, a utility that elects price regulation shall file certain information with the Commission for it to determine the amount the utility may increase or shall decrease its rates. As allowed by § PSC 163.04, Wis. Adm. Code, GTE and Commission staff have come to a mutual agreement to use April 30 as the anniversary date for purposes of annual reporting and determination of allowable price changes.

The Commission is initiating this investigation to administer the mechanisms of price regulation pertaining to GTE's third anniversary date, April 30, 1998. The mechanisms of price regulation pursuant to § 196.196(1)(c), Stats., and § PSC 163.04, Wis. Adm. Code, are a means of calculating the annual allowable changes in prices for price-regulated services. The mechanisms include the annual percentage change in the Gross Domestic Product Price Index (GDPPI), a productivity offset to the change in the GDPPI, an increase in the productivity offset for inadequate service or insufficient investment, and a decrease in the productivity offset to encourage infrastructure investment.

Pursuant to § PSC 163.04(8)(a), Wis. Adm. Code, the Commission shall issue an order no later than 30 days after the utility's anniversary date authorizing the amount the utility may increase its rates or mandating the amount it shall reduce them. If a hearing is held, the time within which the Commission shall issue an order may be extended by 30 days. Services

currently subject to price regulation are basic local exchange service, and standard business access lines and usage by small business with no more than three access lines.

In docket 2180-TI-113, the Commission established infrastructure investment components and benchmarks and Wisconsin Advanced Telecommunications Foundation (WATF) benchmarks to be used in calculating the increase or decrease to the productivity offset on the third and fourth anniversary dates. The infrastructure benchmarks for GTE's fourth anniversary date are subject to revision if, based on new information, the Commission determines that the benchmarks set in docket 2180-TI-113 are no longer reasonable.

The 2180-TI-113 docket also established company-specific quality of service benchmarks to be used in calculating the increase to the productivity offset on the third anniversary date. In docket 05-TI-157, the Commission established industry-wide standards for service quality to be used in calculating the increase to the productivity offset pursuant to § 196.196(1)(c), Stats., for 1998 price regulation filings for each price regulated telecommunications utility.

Pursuant to §§ PSC 163.04(2)(c)(10), PSC 163.04(2)(d)(7), and PSC 163.04(2)(e), Wis. Adm. Code, on each anniversary date, the Commission shall compute new company-specific quality of service, infrastructure, and WATF benchmarks, to be used in calculating the increase or decrease to the productivity offset on the next anniversary date. The Commission may also review the appropriateness of the quality of service and infrastructure investment components.

This is a Type III action under § PSC 4.10(3), Wis. Adm. Code. Furthermore, since no unusual circumstances have come to the attention of the Commission which indicate that significant environmental consequences are likely, neither an environmental impact statement under § 1.11, Stats., nor an environmental assessment is required.

NOTICE IS HEREBY GIVEN that the Commission intends to investigate this matter without a public hearing, unless one is requested. The Commission plans to issue an order pursuant to § PSC 163.04, Wis. Adm. Code, authorizing the amount GTE may increase its rates or mandating the amount it shall reduce them for basic message telecommunications service, establishing infrastructure investment components and benchmarks and WATF benchmarks to be used in calculating the increase or decrease to the productivity offset on the fifth anniversary date, and establishing company-specific quality of service benchmarks to be used in calculating the increase to the productivity offset on the fourth anniversary date. The Commission may also adjust the infrastructure benchmarks to be used on the fourth anniversary date to reflect any new information.

Persons requesting a hearing should submit **an original and 5 copies** addressed as noted in the box on page 1. Requests are due at the Commission no later than **noon on May 27, 1998**. Requests filed by fax are due no later than **noon on May 26, 1998**. Fax filing cover sheets must state "Official Filing," and the number of pages (limit 20 pages). File by one mode only. All correspondence should reference docket 2180-TI-123.

FURTHER NOTICE IS HEREBY GIVEN that the Commission considers it necessary, in order to carry out its duties, to investigate the books, accounts, practices, and activities of GTE. The expenses incurred or to be incurred by the Commission, which are reasonably attributable to the investigation, will be assessed against and collected from GTE in accordance with the provisions of § 196.85, Stats., and ch. PSC 5, Wis. Adm. Code.

Questions regarding this investigation may be directed to Glenn Kelley, chief counsel, Telecommunications Division, at (608) 267-2889, or Christopher Larson, auditor, Telecommunications Division, at (608) 267-9508.

Dated at Madison, Wisconsin _____

By the Commission:

Lynda L. Dorr
Secretary to the Commission

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